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Venezuela

Food Processing Ingredients Sector

Report

2004

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Report Highlights:

Venezuela offers good opportunities for U.S. suppliers to the processed foods sector. The United States is a major supplier of ingredients to Venezuelan manufacturers, although competition from other foreign suppliers has intensified. Major imported food ingredients include: wheat, dairy products such as milk and whey powders, processed fruits and vegetables and sweeteners. Continued strong demand for basic food ingredients is forecast fueled by a growing population and limited supplies of locally produced inputs. Cost will continue to be a primary consideration in ingredient purchases due to persistent price sensitivity in the Venezuelan food and beverage market.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Caracas [VE1]
[VE]

I- MARKET SUMMARY

Venezuela remains a major market for U.S. agricultural products, consistently among the top two markets in South America. In addition, Venezuela is now in the “Top 10” list of agricultural trade surplus markets for the United States. Most importantly, the market share for U.S. products has increased, in some cases substantially, in recent years. The growth has primarily been in basic commodities like wheat, corn, soybean meal, rice and yellow grease as the devaluation of the Bolivar and the recession have priced many high-value products out of the reach of the average consumer. Imports from the United States actually increased in 2003 despite Government imposed exchange controls and price controls since February of that year.

The Venezuelan economy is slowly climbing out of the deep recession it suffered in 2003 when GDP fell by over 9 percent. Prospects for growth in 2004 are around 7 percent but are constrained by the on-going political instability in the country.

Higher labor force participation, particularly by women and a change in the composition of the “traditional” family, are having a large impact on food purchasing patterns. The time available to buy and prepare foods is being reduced. Consumers are increasingly willing, to buy foods which require little preparation time. However, the economic situation has affected Venezuelans purchasing power and the exchange controls have priced many imported products out of the reach of the middle-class consumer. Therefore, the market has shifted to more locally produced and basic products.

Demand for imported ingredients is important since the local supplies are often hampered by inefficient post-harvest and storage facilities and costly farm-to-market transport, which often drive prices higher than world market. The local supply situation means manufacturers must look overseas for many inputs. Major imported food ingredients include: wheat, dairy products such as milk, cheese powders and whey, tomato sauce, ketchup, condiments, breakfast cereals and mixes, yeasts, baking powder and sugars. Expensive specialty ingredients and organic ingredients are still small niche items due to persistent and pervasive price sensitivity in the Venezuelan food and beverage market.

Demand for processed foods and beverages is driven by a population of 25 million that is growing annually, a food culture that emphasizes frequent snacking, and large workforce participation by women and resulting need for convenience foods. With two-thirds of the population under the age of 30 (National Statistics Institute, INE 2001 census), the Venezuelan is a youth-oriented food market. This fuels demand for new and trendy products, attractive packaging, and sweetened foods and beverages.

Venezuela, like other developing economies, is vulnerable to political uncertainties. The political and economic crisis of the country has impacted on the High-value products imports from the United States since its peak of U.S.\$95.0 million in 1999 to U.S.\$33.3 million in 2003 representing a decreased of 65%. Despite the negative figures, the situation has been improving slowly as was mentioned above. Furthermore, the U.S. market share of consumer-oriented products grew from 15% in 1999 to 24% in 2003.

The potential growth of the food processing ingredients sector for the near future is cloudy at this time as non-tariff trade barriers such as the restrictive use of licenses and phytosanitary permits have become a major impediment to trade for many food products. However, the fact that local ingredients are unavailable or insufficient and that U. S. products retain a high quality perception by Venezuelan food processors makes this 25 million person market an attractive destination for many U.S. food exporters.

Advantages and Challenges of Exporting to Venezuela's Food Processing Sector

Advantages	Challenges
<ul style="list-style-type: none"> ➤ Local ingredients unavailable or insufficient, while US food products are considered high quality. ➤ Fast food chains that require American food ingredients are having success in Caracas and in major cities. ➤ Proliferation of malls and accompanying expansion of dine out establishments using U.S. products. ➤ U.S. suppliers are seen by local food processors as a reliable source, in terms of volume, standards and quantity. ➤ Two thirds of the population is below 30 years of age and are heavily influenced by U.S. culture through media, and are observed to be very open to processed and ready to cook, ready to eat and imported food products. ➤ Venezuelan's economy is slowly improving. ➤ Operations by multi-nationals require world standard ingredients. 	<ul style="list-style-type: none"> ➤ Government imposed exchange controls and price controls. ➤ U.S. exporters still must comply with all sanitary and phytosanitary requirements, permits are not issued in a transparent manner. ➤ Andean Community of Nations (CAN) and other South American countries have trade agreements with Venezuela giving them preferential duties for some products. ➤ Parallel exchange rate (black market) resulting in US ingredients becoming expensive can shift buyers' purchases to source cheaper alternatives to keep current market prices in a very price sensitive market. ➤ The Venezuelan political and economic uncertainties create a degree of risk.

II. ROAD MAP FOR MARKET ENTRY

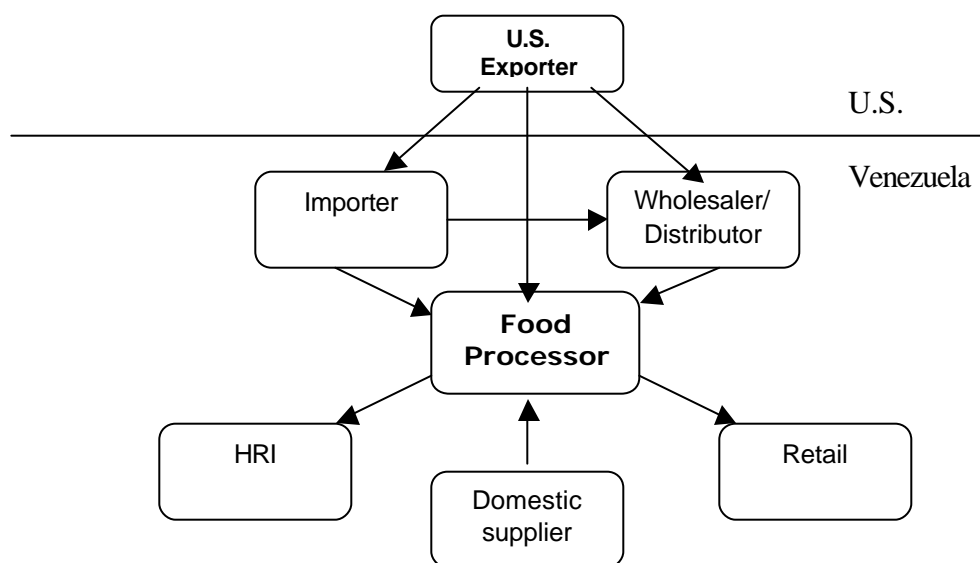
A. ENTRY STRATEGY

- ❖ U.S. exporters can approach the Venezuelan Food Processors directly, through a large importer, a large wholesaler/distributor or a specialized importer.
- ❖ Market is highly price-sensitive. While American products are usually highly regarded for their quality and product consistency, which gives them a certain advantage in terms of pricing premium as compared to competing products, consumers are extremely

resistant to price increases.

Regardless of which strategy is chosen, personal visits are highly recommended to get to know your buyer. Recent economic and political disturbances have made that difficult, but the situation is improving. The local partner should be well known by the U.S. company before any permanent contractual arrangement is made and should be able to provide updated information on market consumer trends, on current market development and trade business practices.

B. MARKET STRUCTURE



- ❖ Wholesalers/distributors play an important role in this market structure, diversifying their purchases from U.S. exporters, local importers, through the local food processing sector wholesalers, retailers and the food service. Some large Food Processors import directly from U.S. suppliers.
- ❖ The Venezuelan food processing industry distribution system serves all different channels: hotel, restaurant and institutions (HRI) retail, and other food processing companies. Negotiations with wholesalers and distributors may include semi-exclusive contracts with limitations on geographic areas covered and/or restrictions on product lines available to a company's competitors. Retail segment purchases are made directly from food processing companies.

C- COMPANY PROFILE

The following table provides information on some of the largest processors in Venezuela that received US dollars through CADIVI * in order to import the food products.

Processed Food Imports from All-origins
March 2003 – May 2004

Company	Industry	US\$
ALIMENTOS HEINZ C.A.	Sauces	9,702,608
ALMACENADORA GRANELERA C.A.	Grains & cereals	17,472,522
ALIMENTOS KELLOGGS S.A.	Grain & cereals	3,896,569
ALFONZO RIVAS C.A.	Grains	14,101,485
BIMBO DE VENEZUELA C.A.	Wheat	329,763
CADIPRO MILK PRODUCTS C.A.	Dairy Products	47,363,752
CARGILL DE VENEZUELA C.A.	Wheat, vegetable oils, rice, flour.	141,697,508
CONSORCIO OLEAGINOSO PORTUGUESA S.A.	Vegetable oils	38,037,632
DEL MONTE C.A.	Vegetables	1,466,809
GENERAL MILLS DE VENEZUELA	Wheat	221,776
INDUSTRIA LACTEA VENEZOLANA C.A. (INDULAC) PARMALAT	Dairy Products	41,302,960
INDUSTRIA ALIMENTICIAS NOEL DE VENEZUELA	Confection & Snacks	10,889,206
KRAFT FOODS DE VENEZUELA C.A.	Dairy Products, Sauces	33,955,782
MAVESA S.A. / POLAR Group	Margarine, vegetable oils, sauces.	47,592,149
MOLINOS CARABOBO S.A. (MOCASA)	Wheat & other grains	33,671,089

MOLINOS NACIONALES C.A. (MONACA)	Wheat & other grains	77,051,103
MOLINOS VENEZOLANOS C.A.	Wheat & other grains	19,629,400
NESTLE VENEZUELA S.A.	Dairy products, Snacks	52,412,895
PASTAS CAPRI C.A.	Wheat	13,232,351
PASTAS SINDONI C.A.	Wheat	15,577,713
PLUMROSE LATINOAMERICANA	Meats	10,813,322
PROCESADORA VENEZOLANA DE CEREALES S.A.	Cereals & Grains	57,628,024
PRODUCTOS EFE S.A. / POLAR Group	Ice Creams	1,380,537
SNACKS AMERICA LATINA DE VENEZUELA SRL / POLAR Group	Snacks	13,124,050
TETRA PAK C.A.	Processed fruits	19,660,715
	TOTAL	722,211,720

Source: *CADIVI (government exchange control entity)

III- COMPETITION

The United States is a major supplier of food ingredients to Venezuela. The following table provides a breakout in key sectors.

Competition Situation facing U.S. suppliers

Product Category	Rank	Country	Share of Import Market (%)
Wheat Net imports: U.S.\$176,389,000	1	United States	70
	2	Canada	20
	3	Others	10
Breakfast Cereals & Mixes Net imports: U.S.\$3,117,000	1	Mexico	53
	2	United States	32
	3	Trinidad & Tobago	5
	4	Colombia	2

Whey	1	Poland	37
Net imports:	2	Chile	22
U.S.\$2,180,000	3	France	17
	4	United States	16
Pectates	1	United States	53
(Vegetables extracts & mucilages)	2	Denmark	10
Net imports:	3	Netherlands	10
U.S.\$10,844,000	4	Chile	6
Sugars	1	United States	40
(Glucoses – Syrups)	2	Colombia	33
Net imports:	3	Netherlands	6
U.S.\$2,994,000	4	Mexico	5
Extract of Coffee and Tea	1	United States	44
Net imports:	2	Colombia	36
U.S.\$4,107,000	3	Chile	11
	4	Mexico	6
Tomato Sauce	1	United States	53
Net imports:	2	Colombia	32
U.S.\$398,000	3	Netherlands	13
	4	Argentina	1
Mustard Flour	1	United States	53
Net imports:	2	Canada	31
U.S.\$446,000	3	France	7
	4	Peru	4
Sauces & Condiments	1	Colombia	35
Net imports:	2	United States	31
U.S.\$7,172,000	3	Mexico	28
	4	Brazil	2
Yeasts / Baking Powder	1	Colombia	50
Net imports:	2	United States	30
U.S.\$2,113,000	3	Mexico	13
	4	Chile	7
Protein Concentrate	1	United States	35
Net imports:	2	Brazil	31
U.S.\$4,870,000	3	Germany	28
	4	Mexico	2

Source: SENIAT, January-December 2003.

IV- BEST PRODUCTS PROSPECTS

The following is an illustrative table of the major export opportunities and some of the emerging opportunities for U.S. food processing ingredients products to Venezuela:

Subsector	Food Processing prospects
Dairy Products	Whey, buttermilk, yogurt
Fruits and vegetables preparations	Prepared tomatoes, apples, pears, and peaches.
Cereals	Wheat, rice.
Confectionary	Glucose, lactose, fructose, glucose syrup, chocolate preparations, modified sugars.
Snack foods	Breakfast cereals and mixes
Dry goods and condiments	Ketchup, mayonnaise, mustard, sauces, extract of coffee and tea, soy sauce.
Baking products	Yeasts, baking powders, blends and mixtures for bakery.
Pectates	Vegetables extracts & mucilages
Proteins	Protein Concentrates, Textured Protein Substances
Meats	Pork

V. POST CONTACT AND FURTHER INFORMATION*

POST INFORMATION

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 American Embassy
 Calle F con Calle Suapure, Parcela B-2
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www.embajadausa.org.ve/usda.html (Caracas)

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www.cavidea.org.ve

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Director de Seguimineto y Control
Servicio Autónomo
Dirección de Normalización y Certificación de Calidad
Avenida Andrés Bello,
Edificio Torre Fondo Común, piso 11
Caracas, Venezuela
Tel: 58-212-575-4111
Fax: 58-212-574-1312/576-3701

Ministerio de Salud y Desarrollo Social (Ministry of Health and Social Development)
Edificio Centro Simón Bolívar
Edificio Sur, piso 7
Caracas, Venezuela
Tel: 58-212-481-5573/4292/9101/482-0345
Fax: 58-212-483-8189

Camara Venezolano-Americana de Comercio e Industria (VENAMCHAM)
(Venezuelan-American Chamber of Commerce)
2da.Av. de Campo Alegre, Torre Credival, Piso 10, Ofic.A, Caracas 1060, Venezuela
Apartado Postal 5181 (Caracas 1010-A)
Tel.: 58-212-263-0833/267-20-76/64-81
Fax: 58-212-263-20-60
www.venamcham.org

MAIN FOOD PROCESSORS*

ALIMENTOS HEINZ, C.A.

Eduardo Benatuil
Calle Orinoco, Torre Uno, piso 1, Las Mercedes CARACAS DF
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58-212-993.03.29

ALIMENTOS KELLOGG'S S.A.
Av. Tamanaco, Edif. Extebandes, piso 6, El Rosal. caracas DF
58-212-951-14-30 / 37-70
58-212-951-68-07
www.kelloggs.com.ve

ALFONZO RIVAS & CÍA
Av. La estancia, Edif. General piso 8, Chuao CARACAS
58-212-909.20.00
58-212-993.69.72.
www.alfonzorivas.com

BIMBO DE VENEZUELA, C.A.
Zona Ind. Del Este, Sector Los Barbechos, Urb. Maturin, Prolog., Av. II,
Edif. Bimbo de Venezuela GUARENAS MIRANDA
58-212-360.22.22
58-212-360.22.03
www.grupobimbo.com.mx

CADIPRO MILK PRODUCTS C.A.
Torre La Previsora, Piso 9,
Av. Abraham Lincoln con Av. Las Acacias,
Sabana Grande – Caracas
58-212-709.6858 / 6811
58-212- 709.6845

CARGILL DE VENEZUELA, C.A.
Av. Fco. de Miranda, Parque Cristal, Torre Oeste, piso 7 CARACAS
58-212-208.53.11
58-212-208.53.20
www.cargill.com.ve

GENERAL MILLS DE VENEZUELA, C.A.
Av. Venezuela, Torre Clement, piso 1, Ofic. A y B, El
Rosal CARACAS DF
58-212-951.41.11-34.67
58-212-951.19.56
www.generalmills.com/corporate/businesses/international/

KRAFT FOODS VENEZUELA, C.A.
Av. Fco. de Miranda, Edif. Seguros Venezuela, piso 4,
Campo Alegre CARACAS
58-212-955.92.11
58-212-955.91.69
www.kraft.com/contacts/interlatin.html

MAVESA S.A. (Polar Group)
Av. ppal de Los Cortijos de Lourdes
Edif. Mavesa – Caracas
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58-212- 202-7283
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58-212-207-92.11
www.monaca.com.ve

MOLINOS VENEZOLANOS C.A., (MOLVENCA)
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58-243-271-3410

NESTLÉ VENEZUELA, S.A.
Edif. Polar, Plaza Venezuela, Los Caobos CARACAS
58-212-708.70.00-708.80.34
58-212-576.51.20
www.nestle.com.ve

PASTAS CAPRI
Zona Industrial Corralito, Edif. Capri, Carrizal, Edo. Miranda LOS
TEQUES MIRANDA
58-212-383.20.66
58-212-383.14.29

PARMALAT INDUSTRIA LÁCTEA VENEZOLANA, C.A.
Av. San Francisco con Palmarito, Edif. Indulac, Colinas de La California,
Caracas CARACAS
58-212-257.11.33 / 14.22
58-212-205.25.97
www.parmalat.com.ve

PLUMROSE LATINOAMERICANA, C.A.
Av. Millán con 4ta transversal, parcela 7 y 8, Edif.. Plumrose,
Los Ruices CARACAS
58-212-273.87.11
58-212-256.00.25
www.plumrose.com

PRODUCTOS EFE C.A (Polar Group)

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www.empresas-polar.com

SNACKS AMERICA LATINA (Polar Group)
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58-212-202-8564
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Also, there are other qualified firms in Venezuela and their exclusion from any lists or directories is unintentional. Neither the Caracas Agricultural Office or the USDA endorse any firm contained herein. U.S. exporters should take normal commercial precautions when dealing with any potential importer, including checking references.